

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

PRS-01 /101 W

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P 130840Z JUL 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 5616

C O N F I D E N T I A L 9166

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: GOI DISCUSSIONS WITH OIL COMPANIES

REF : (A) STATE 170577, (B) STATE 170781, (C) JAKARTA 9034

1. REFS A AND B REPORTING ON DEPT'S CONVERSATION WITH NATOMAS PRESIDENT JAST RECEIVED. AMBASSADOR AND EMBOFFS HAD OCCASION TO DISCUSS CURRENT OIL COMPANY NEGOTIATIONS WITH MONESMIN SADLI AT LANCHEON JULY 12. HIGHLIGHTS OF THIS CONVERSATION FOLLOW:

2. WESAID TOSADLI THAT WE NOT QUALIFIED TO COMMENT ON SUBSTANCE OF QUESTIONS NOW BEING REVIEWED WITH OIL COMPANIES. OUR IMPRESSION, HOWEVER, IS THAT COMPANIES ARE VERY SERIOUS IN THEIR ESTIMATES OF EFFECTS OF GOI PROPOSALS AND ON THEIR FUTHRE EXPLORATION PROGRAMS. WE OBSERVED THAT OUTCOME OF NEGOTIATIONS THAT DID NOT RECOGNIZE THESE CONCERNS COULD NOT HELP BUT HAVE FURTHER NEGATIVE EFFECT ON INDONESIAN INVESTMENT CLIMATE. SADLI ACKNOWLEDGED THESE CONCERNS BUT DESCRIBED TALKS WITH COMPANIES AS "STALEMATE" WITH BOTH SIDES STILL FAR APART. MINISTER SAID PRICE-WATERHOUSE  
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ADVISORS WERE LOOKING AT COMPANIES' LATEST PROPOSALS AS

WELL AS ADVISING ON ALTERNATIVE PROPOSALS. HE MENTIONED POSSIBLE DIFFERENT TREATMENT OF GNG (GEOLOGICAL AND GEOPHYSICAL) COSTS, AS EXAMPLE. HE INDICATED GOI, PARTICULARLY MINISTER OF NATIONAL PLANNING WIDJOJO, TAKING TOUGH STANCE IN TALKS FOR BARGAINING PURPOSES. SADLI ADMITTED GOI'S "INEXPERIENCE" IN EVALUATING TECHNICAL ASPECTS OF CPMAPNIES' PROPOSALS ESPECIALLY THEIR ARGUMENTS ABOUT LIFE OF ASSETS, SIZE OF FIELDS, ETC. ASKED IF GOI WOULD CALL IN OTHER TECHNICAL EXPERTISE, SADLI REPLIED NEGATIVELY, ADDING IT WAS TOO LATE TO DO THIS. TENOR OF HIS COMMENTS CLEARLY REVEALED HIS SKEPTICISM ABOUT CLAIMED LIFE OF ASSETS BY PRODUCTION-SHARING CONTRACTORS NOTING THAT DESPITE DIRE PREDICTIONS ON SHORT LIFE, STANVAC (UNDER CONTRACT OF WORK) STILL PRODUCING ALBIET AT PROGRESSIVELY REDUCED RATE. HE ALSO SAID PRESENTATION BY UNION WAS MOST PROFESSIONAL AND SOPHISTICATED. ALSO WONDERED ALOUD BY SHELL AND STANVAC EXPLORATION EFFORTS SO UNSUCCESSFUL AS COMPARED WITH CALTEX.

3. AMBASSADOR ASKED ABOUT POSSIBILITY OF COMPANY EXECUTIVES CALLING ON PRESIDENT SUHARTO TO EXPLAIN THEIR VIEWS. SADLI REPLIED THAT PRESIDENT DID NOT WISH TO INVOLVE HIMSELF IN "OPERATIONAL" ASPECTS OF CURRENT NEGOTIATIONS. SADLI SAID HE WOULD ENCOURAGE COMPANIES TO CALL UPON PRESIDENT ONCE AGREEMENTS HAD BEEN REACHED, HOWEVER. QUERIED ABOUT CHANCES OF COMPANIES TO SEE WIDJOJO, SADLI REPLIED, "NIL." HE INDICATED, "I DON'T EVEN KNOW WHERE HE IS NOW."

4. SADLI SAID HE WAS AWARE OF ADVERSE CONSEQUENCES CURRENT GOI POSITION COULD HAVE ON FUTURE EXPLORATION AND, ULTIMATELY, PRODUCTION LEVELS. HE EXPRESSED VIEW THAT THIS CONCERN WAS CLEARLY SECONDARY TO GOI'S DESIRE FOR IMMEDIATE REVENUE. HE MENTIONED BOTH WIDJOJO AND FINANCE MINISTER WARDHANA BELIEVED THIS TO BE CENTRAL ISSUE. SADLI WAS SOMEWHAT VAGUE ABOUT AMOUNT OF ADDITIONAL REVENUE GOVERNMENT GUIDELINES WOULD PRODUCE, BUT HE MENTIONED FIGURE OF \$500 MILLION AS POSSIBLE OUTCOME.

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5. COMMENT: SADLI'S REMARKS PARA THREE POINT UP DIFFICULTY OF ARRANGING APPOINTMENTS WITH WIDJOJO AND OTHERS AS PROPOSED BY NATOMAS PRESIDENT COMMONS. BELIEVE OUR EXTENSIVE CONVERSATION WITH SADLI HAS AGAIN SERVED TO CONVEY CONCERNS OF COMPANIES TO GOI. AS SADLI NOTES, HOWEVER, GOVERNMENT'S DESIRE FOR QUICK REVENUE CLEARLY OVERSHADOWS ALL OTHER CONSIDERATIONS.

RE REF B, EMBASSY HAS BEEN IN TOUCH WITH  
JAPANESE  
EMBASSY WHO ADVISES THEY HAVE MADE NO FORMAL AP-  
PROACH TO GOI. CONVERSATION WITH JAPANESE EMBOFF IN-  
DICATED GOJ WATCHING SITUATION QUITE CLOSELY BUT THUS FAR  
IS NOT CONSIDERING TYPE OF ACTION OUTLINED IN REF B.  
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## Message Attributes

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